



## ASSESSMENT REVIEW BOARD

MAIN FLOOR CITY HALL  
1 SIR WINSTON CHURCHILL SQUARE  
EDMONTON AB T5J 2R7  
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### NOTICE OF DECISION NO. 0098 204/10

Auto Wholesale Direct Inc.  
12617 Fort Road NW  
Edmonton AB T5C 3C2

The City of Edmonton  
Assessment and Taxation Branch  
600 Chancery Hall  
3 Sir Winston Churchill Square  
Edmonton AB T5J 2C3

This is a decision of the Composite Assessment Review Board (CARB) from a hearing held on August 4, 2010, respecting a complaint for:

<b>Roll Number</b> 10110112	<b>Municipal Address</b> 12621 Fort Road NW	<b>Legal Description</b> Plan: 0741159 Block: 1 Lot: 3
<b>Assessed Value</b> \$825,000	<b>Assessment Type</b> Annual Revised	<b>Assessment Notice For:</b> 2010

#### Before:

**Board Officer:** Kyle MacLeod

Lynn Patrick, Presiding Officer  
George Zaharia, Board Member  
Judy Shewchuk, Board Member

#### Persons Appearing: Complainant

Ali Ismail  
Sam Osman

#### Persons Appearing: Respondent

John Ball, Assessor, City of Edmonton

### PRELIMINARY MATTERS

The parties did not raise any preliminary matters.

### BACKGROUND

The subject property is a triangular-shaped parcel bordered by Fort Road, a CN Rail right-of-way, and an abutting parcel at 68 Street NW. The subject property consists of 33,671 square feet of land upon which there are three buildings (a garage, an auto centre or lube shop, and an auto sales office). The assessment was made using the income approach. The common inputs for the three buildings were a vacancy rate of 5%, a structural repair allowance of 2%, a vacancy shortfall of 4.5, and a capitalization rate of 8.5%. The market rents for main floor space were \$15.50/sq. ft. for the garage, \$15.00/sq. ft. for the auto centre, and \$10.00/sq. ft. for the sales office. The auto centre contains a basement and the rent rate for that was assessed using \$1.50/sq. ft.. The Respondent acknowledged an error in respect to the rental rate for the garage, which should have been \$6.00/sq. ft., resulting in an assessment reduction recommendation from \$825,000 to \$746,500.

## **ISSUES**

Is the assessment fair and equitable?

## **LEGISLATION**

**The *Municipal Government Act*, R.S.A. 2000, c. M-26;**

s.467(1) An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

s.467(3) An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

- a) the valuation and other standards set out in the regulations,
- b) the procedures set out in the regulations, and
- c) the assessments of similar property or businesses in the same municipality.

## **POSITION OF THE COMPLAINANT**

### *Assessment Approach*

The Complainant submitted that the best assessment approach for the subject property would be the sales comparison approach. In support of this position the Complainant submitted evidence of the \$600,000 purchase price (the property was purchased in December 2009). The Complainant also provided material relating to the pricing of a comparable garage building at \$20,000 and an ATCO trailer office at \$17,500. In addition, the Complainant submitted the cost of replacing the auto centre building was \$98,170, based upon its estimate of a 1,227 square foot steel building at \$80.00/sq. ft., although no material was submitted reflecting such a cost estimate. The Complainant noted that although it agreed with the revised rental rate (from \$15.50/sq. ft. to \$6.00/sq. ft.) for the garage building, the revised assessment ought to be in the sum of \$600,000, the purchase price paid by the Complainant and supported by the market valuation of \$540,000 prepared by George Cowling of TRI National Real Estate Inc, dated as effective November 2, 2009.

As an alternative to the sales comparison approach, the Complainant suggested a blend of the cost and income approaches, using the pre-recommendation net operating income of the garage (\$10,688), auto centre (\$16,875) and trailer office (\$3,383), to which he added the values of the replacement building (\$135,670) and the excess land (\$461,160), for a total of \$627,776.

### *Railway Allowance*

The subject land is adjacent to the main CN Rail line. The Complainant submitted he ought to receive an allowance for a diminished market value, although no amount was suggested. The Complainant also submitted a copy of a 2009 decision letter of the ARB evidencing a reduction in the assessment of the subject property. The Complainant noted that the reduction resulted from an excess land finding; however, the Complainant did not have a copy of the reasons for the ARB decision. The contention of the Complainant is that, because of a re-plot of the subject by the City of Edmonton, the triangle-shaped point on the southwest corner of the parcel of land is not developable.

## **POSITION OF THE RESPONDENT**

### *Assessment Approach*

The Respondent submitted that dependence on the sales comparison approach as an indication of market value was unreliable because there were no other sales comparables provided by the Complainant to support the sale price. It was also noted that the sale, the date of which was December 01, 2009, was post facto by 5 months and is not time-adjusted to the assessment date of July 01, 2009. Furthermore, the Respondent argued that the sale was from landlord to tenant and was financed by a vendor take-back mortgage, suggesting it may not meet the arm's-length test.

The Respondent also submitted that the blended approach of cost and income was not considered an acceptable approach to assessment since the income was not capitalized nor were the costs fully substantiated in the accepted basis for assessment purposes. There had been no allowance granted for the railroad to adjoining or nearby sites on the basis that no detriment had been shown. In support of the recommended assessment of \$243.97/sq. ft. for the building, the Respondent provided six equity comparables. The comparables ranged from \$232.70/sq. ft. to \$485.13/sq. ft. There were two sales comparables presented by the Respondent. Of these two, the best and closest in proximity to the subject property is located on 118 Avenue, the sale price of which, when time-adjusted, was \$296.00/sq. ft. The Respondent also noted that, although the Complainant took some objection to the \$10.00/sq. ft. rental rate for the office, no evidence was produced to show it was incorrect. As well, the Respondent argued that no objection was raised by the Complainant with regards to the other inputs used in the income approach.

### *Excess Land*

The Respondent presented four land equity comparables. These included the adjacent corner site, which was assessed at \$20.85/sq. ft. as well as two other Fort Road locations within one block of the subject property, assessed at \$28.48/sq. ft. and \$31.23/sq. ft. respectively. The Respondent submitted that these comparables indicated that the subject was assessed equitably, without any need for further adjustment for the shape of the parcel.

## **FINDINGS**

The income approach is the best approach for assessing the subject and the result is supported by the comparables. The amount of the reduction for the correction of the rental rate for the garage is \$78,500.

The sale of the subject was post facto and was negotiated without being exposed to the market.

The excess land is severely influenced by its triangular shape, which limits optimum usage of a portion of the land. The percentage of the site that is affected is 27% and the result is a reduction of \$58,500 in the assessment

## **DECISION**

The assessment is reduced to \$688,000.

## **REASONS FOR THE DECISION**

The Board notes there are several acceptable approaches to arriving at market value. The selection of the approach is normally dictated by the availability of sufficient market evidence in support of the approach taken. Usage of other approaches may show support for the chosen approach. This is to be distinguished from applying a mix of approaches, which is not an accepted practice.

The Complainant was unable to produce sufficient evidence in using the income approach, which was also used by the Respondent, and his application of this approach was improper. The Complainant failed

to convince the Board that another approach was justified. There were no supporting sales of market valuation evidence offered by the real estate agent to give the estimate much weight, and the sale of the subject without time adjustment or supporting sales comparables suggested to the Board that not much weight could be given to that evidence.

The Board was convinced that the odd shape of the parcel of land portion of the subject severely restricts its present and future uses. This was supported by the Complainant's description of the difficulties he encountered in operating his business. The reference to the assessment history in both parties' materials led the Board to a reduction of the excess land by a factor of 27% . The ARB in 2009 made the same finding and this Board agrees with that decision.

### **DISSENTING OPINION AND REASONS**

There was no dissenting opinion.

Dated this 4<sup>th</sup> day of September, 2010, at the City of Edmonton, in the Province of Alberta.

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Presiding Officer

*This Decision may be appealed to the Court of Queen's Bench on a question of law or jurisdiction, pursuant to Section 470(1) of the Municipal Government Act, R.S.A. 2000, c.M-26.*

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cc: Municipal Government Board  
Auto Wholesale Direct Inc.